

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7416

BILL NUMBER: HB 1873

DATE PREPARED: Jan 30, 2001

BILL AMENDED:

SUBJECT: Hospice.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill defines room and board. The bill also requires Medicaid to reimburse hospices for room and board services at a rate of 95% of the lowest per diem reimbursement rate the Office would pay to a health facility licensed under IC 16-28 for any resident. The bill also requires the State Department of Health to conduct surveys of hospices on an annual basis.

Effective Date: July 1, 2001.

Explanation of State Expenditures: The estimated cost of providing room and board reimbursement in hospice in-patient facilities is estimated to be about \$33,000 to \$66,000 annually. This is based on an assumed 71 individuals annually choosing to receive hospice care in a hospice facility rather than in a nursing home. According to the Office of Medicaid Policy and Planning (OMPP), there would be no federal reimbursement for room and board expenditures provided in a hospice facility.

Background: This bill provides that a hospice facility is entitled to a per diem reimbursement for room and board that is equal to 95% of the lowest per diem reimbursement rate OMPP pays to a health facility licensed under IC 16-28. This is assumed to mean the lowest case-mix reimbursement rate paid to any nursing facility. The lowest per diem rate for October 2000 was \$80.62. 95% of this rate equals \$76.58.

Currently, Medicaid hospice recipients may choose to be served at home or in nursing facilities. There were 1,131 individuals served under the Medicaid hospice program in FY 1999. Of these individuals, 75% (or 848) were served in nursing or acute care facilities, and 25% (or 283) were provided hospice benefits at home. Medicaid will pay for hospice care plus a payment for room and board when care is provided in a nursing home. Medicaid will pay for hospice care, but not for room and board, when care is provided in the patient's own home or in a hospice facility. This bill would require the state to reimburse for room and board when the care is provided in a hospice facility.

Assuming that the individuals who receive hospice care at home continue to have a preference for home care,

the population most likely affected is comprised of those individuals who would otherwise receive hospice care in a nursing home, but would prefer a hospice facility instead. There are currently five in-patient hospices in Indiana representing a total of 55 beds: Munster (6 beds), South Bend (7 beds), Fort Wayne (8 beds), Valparaiso (10 beds, expanding to 20 beds next year), and Indianapolis (24 beds). There is a federal regulation that a hospice program must provide at least 80% of its hospice days to patients in their homes with no more than 20% of hospice days as in-patient. If all of the 283 in-home patients were associated with in-patient hospice facilities, the facilities would only be able to provide in-patient hospice services to about 71 Medicaid individuals and still meet these percentages. [This assumes that Medicaid in-patient/out-patient percentages would be similar to that of all hospice patients, generally. Although there are problems with this assumption, data does not exist at this time to improve this estimate. The number of individuals that might take advantage of this option is assumed to range from 70 to 140.]

All five in-patient hospice facilities were contacted. The weighted average length of stay for hospice patients in these in-patient facilities is about 11 days. [This analysis assumes that Medicaid recipients would have similar length of stay characteristics.]

Medicaid already pays room and board for those individuals receiving hospice benefits in nursing homes (at 95% of the facility's case-mix reimbursement rate). Consequently, the additional costs to the state would be for the room and board paid in a hospice facility (which equals 100%, because there is no federal financial participation, times 95% of \$80.62 = \$76.58 per day) less what Medicaid is currently paying for hospice room and board in a nursing facility (which equals 38%, the state Medicaid match, times 95% of \$96.07, the average case-mix rate for October 2000 = \$34.68 per day). The difference is equal to \$41.90 per day.

Consequently, for every individual who chooses to receive hospice care in a hospice facility rather than in a nursing home, and based on the average length of stay of 11 days, the additional cost to the state would be \$41.90 per day, or \$461 for the average 11-day stay. Although there is no good data to indicate what percentage of individuals would make this choice, if 70 to 140 individuals were to choose to receive hospice services in an in-patient hospice facility rather than a nursing home, the additional cost to the state would range from \$33,000 to \$66,000.

According to OMPP, federal financial participation is not available for room and board services associated with hospice care, except when provided in a nursing home. Federal hospice regulations provide for a room and board pass-through to a nursing facility (where, out of the rate paid to the hospice provider, the contracted amount for room and board must be passed on to a nursing facility). However, this policy does not apply to an in-patient hospice facility. Consequently, any expenditures associated with this program would represent state dollars, only. In addition, according to OMPP, because there is no federal financial participation, the program could not be administered through OMPP.

[Note: Data on length of stay and the number of Medicaid individuals who might take advantage of this option is still being determined. This note will be updated should new information become available.]

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.